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IN THE

Supreme Court of the United States

OCTOBER TERM 1979

No. 79-669

DAWSON CHEMICAL COMPANY,
CRYSTAL MANUFACTURING CORPORATION
AND
CRYSTAL CHEMICAL COMPANY,
Petitioners,

v.

ROHM AND HAAS COMPANY,
Respondent.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

BRIEF FOR THE PETITIONERS

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INDEX

	Page
Opinion Below	1
Jurisdiction	2
Question Presented	2
Constitutional and Statutory Provisions Involved	2
Statement of the Case	4
Summary of the Argument	7
Argument	10
1. The Patent Monopoly Extends Only to the Invention Defined by the Patent Claims	10
2. Since the 1917 Decision in the Motion Picture Case This Court Has Not Allowed the Use of the Contributory Infringement Doctrine to Effect a Monopoly in Unpatented Materials	13
3. Congress Did Not Intend Section 271(d) to Legitimize Tying Arrangements	18
4. The Court of Appeals' Expansion of the Scope of the Patent Privilege is Contrary to This Court's Rulings Since 1952	23
5. The Court of Appeals' Interpretation is Not Necessary to Give Meaning to Section 271(d)	28
6. Tying Arrangements are No Less Pernicious Since 1952 Than Before	31
7. The Public Interest is Best Served by Limiting the Patent Monopoly to the Invention Covered by the Patent Claims	33
8. Conclusion	37

Table of Authorities

Cases

	Page
Ansul Co. v. *Uniroyal, Inc.*, 448 F.2d 872 (2 Cir. 1971)	30
Aro Manufacturing Co. v. *Convertible Top Replacement Co.*, 365 U.S. 336 (1961)	8, 23, 24, 25, 26
Aro Manufacturing Co. v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964)	8, 20, 23, 25, 26
B. B. Chemical Co. v. *Ellis*, 314 U.S. 495 (1942)	15
B. B. Chemical Co. v. *Ellis*, 117 F.2d 829 (1 Cir. 1941)	15
Besser Mfg. Co. v. *United States*, 343 U.S. 444 (1952)	29
Blonder-Tongue Labs, Inc. v. *University of Ill. Foundation*, 402 U.S. 313 (1971)	23, 27
Carbice Corp. v. *American Patents Development Corp.*, 283 U.S. 27 (1931)	14, 15, 25
Deepsouth Packing Co. v. *Laitram Corp.*, 406 U.S. 518 (1972)	8, 18, 19, 20, 23,27, 33
Florence-Mayo Nuway Co. v. *Hardy*, 168 F.2d 778 (4 Cir. 1948)	16
Gray Tool Co. v. *Humble Oil & Refg. Co.*, 186 F.2d 365 (5 Cir. 1951)	16
Harris v. *National Machine Works, Inc.*, 171 F.2d 85 (10 Cir. 1948)	17
Heaton-Peninsular Button-Fastener Co. v. *Eureka Specialty Co.*, 77 F. 288 (6 Cir. 1896)	13
Henry v. *A. B. Dick Co.*, 224 U.S. 1 (1912)	13, 14
International Salt Co. v. *United States*, 332 U.S. 392 (1947)	32
Kendall v. *Winsor*, 62 U.S. (21 How.) 322 (1859)	33
Keystone Bridge Co. v. *Phoenix Iron Co.*, 95 U.S. 274 (1877)	10
Landis Machinery Co. v. *Chaso Tool Co.*, 141 F.2d 800 (6 Cir. 1944)	16
Leitch Mfg. Co. v. *Barber Co.*, 302 U.S. 458 (1938)	14, 15
Lincoln Electric Co. v. *Linde Air Products Co.*, 171 F.2d 223 (6 Cir. 1948)	17
Mannington Mills, Inc. v. *Congoleum Industries, Inc.*, 203 U.S.P.Q. 81 (3 Cir. 1979)	35
Mercoid Corp. v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944)	7, 15, 16, 20, 23, 24, 26, 27
Mercoid Corp. v. *Minneapolis-Honeywell Reg. Co.*, 320 U.S. 680 (1944)	7, 15,16, 20, 23, 24, 25, 26, 27, 32

	Page
Monsanto Company v. *Dawson Chemical Company, et al.*, 443 F.2d 1035 (1971), *cert. denied*, 405 U.S. 934 (1972)	5
Monsanto Company v. *Rohm and Haas Company*, 312 F. Supp. 778 (E.D. Pa. 1970), *affirmed*, 456 F.2d 592 (3 Cir. 1972), *cert. denied*, 407 U.S. 934 (1972)	4, 5
Morton Salt Co. v. *G. S. Suppiger Co.*, 314 U.S. 488 (1942)	14, 15
Motion Picture Patents Co. v. *Universal Film Mfg. Co*, 243 U.S. 502 (1917)	7, 10, 11, 12, 13, 14, 15, 17, 23, 30
Muniz v. *Hoffman*, 422 U.S. 454 (1975)	19
NLRB v. *Fruit and Vegetable Packers*, 377 U.S. 58 (1964)	19
Northern Pacific Rwy. Co. v. *United States*, 356 U.S. 1 (1958)	31
Rex Chainbelt, Inc. v. *Harco Products, Inc.*, 512 F.2d 993 (9 Cir. 1975)	30
Schneider v. *Pountney*, 21 F. 399 (CC N.J. 1884)	13
Snyder v. *Bunnell*, 29 F. 47 (S.D. N.Y. 1886)	13
Standard Oil Co. v. *United States*, 337 U.S. 293 (1949)	31
Standard Register Co. v. *American Sales Book Co.*, 148 F.2d 612 (2 Cir. 1945)	17
Stroco Products, Inc. v. *Mullenbach*, 67 U.S.P.Q. 168 (S.D. Cal. 1944)	16
Thomson-Houston Elec. Co. v. *Kelsey Electric Ry. Specialty Co.*, 72 F. 1016 (CC Conn. 1896)	13
Times-Picayune Publishing Co. v. *United States*, 345 U.S. 594 (1953)	31
United States v. *Glaxo Group Ltd.*, 410 U.S. 52 (1973)	29
United States v. *Loew's, Inc.*, 371 U.S. 38 (1962)	26, 27, 31, 32
United States v. *Masonite Corp.*, 316 U.S. 265 (1942)	29
United States v. *Ryder*, 110 U.S. 729 (1884)	19
Wallace v. *Holmes*, 29 Fed. Cas. 74, No. 17,100 (CC Conn. 1871)	13
Zenith Radio Corp. v. *Hazeltine Research, Inc.*, 395 U.S. 100 (1969)	23, 27

Statutes

U.S. Const. art I, § 8, cl. 8	2
Patent Act of April 10, 1790, c. 7, 1 Stat. 109	10
Patent Act of July 4, 1836, c. 357, 5 Stat. 117	10
7 U.S.C. § 2321	29
7 U.S.C. § 2404	29

	PAGE
15 U.S.C. § 14	31
17 U.S.C. § 101	29
17 U.S.C. § 115	29
28 U.S.C. § 1254(1)	2
28 U.S.C. § 1338(a)	4
35 U.S.C. § 101	2, 7, 11, 12
35 U.S.C. § 112	2, 7, 11, 12
35 U.S.C. § 154	3, 7, 11, 12
35 U.S.C. § 271	3, 8, 17, 18, 20, 22, 23, 24, 26
35 U.S.C. § 271(a)	3, 17
35 U.S.C. § 271(b)	3, 5, 17
35 U.S.C. § 271(c)	3, 5, 6, 8, 10, 12, 17, 19, 20
35 U.S.C. § 271(d)	2, 3, 4, 6, 8, 10, 12, 17, 18, 19, 20, 22, 24, 26, 28, 31, 32
42 U.S.C. § 1857	29
42 U.S.C. § 1857h-6	29

Miscellaneous

P. Areeda, *Antitrust Analysis* (2d ed. 1974)	35
98 Cong. Rec. 9323, 82d Cong., 2d Sess., July 4, 1952	20
Furth, *Price-Restrictive Patent Licenses Under the Sherman Act,* 71 Harv. L. Rev. 815 (1958)	35
Gibbons, *Price Fixing in Patent Licenses and the Antitrust Laws,* 51 U. Va. L. Rev. 273 (1965)	35
Hearings on H.R. 5988 Before the Subcomm. on Patents, Trademarks and Copyrights of the Comm. on the Judiciary, House of Representatives, 80th Cong., 2d Sess. (1948)	20
Hearings on H.R. 3866 Before Subcomm. No. 4 of the Comm. on the Judiciary, House of Representatives, 81st Cong., 1st Sess. (1949)	20, 22
Hearings on H.R. 3760 Before Subcomm. No. 3 of the Comm. on the Judiciary, House of Representatives, 82d Cong., 1st Sess. (1951)	20, 21
H.R. Rep. No. 1923, 82d Cong., 2d Sess. 9 (1952)	17, 19, 22
G. Rich, *Infringement Under Section 271 of the Patent Act of 1952,* 35 J. Pat. Off. Soc. 476 (1953)	22
S. Rep. No. 1979, 82d Cong., 2d Sess. 8 (1952)	17, 19, 22
Turner, *The Patent System and Competitive Policy,* 44 N.Y. U. L. Rev. 450 (1969)	35
U.S. Patent No. 3,816,092	4
U.S. Patent No. 3,382,280	4
A. Wechsler, et al, *Evaluation of the Possible Impact of Pesticide Legislation on Research and Development Activities of Pesticide Manufacturers,* Environmental Protection Agency Publication EPA-540/9-75-018 (1975)	35

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BRIEF FOR THE PETITIONERS

OPINIONS BELOW

The Opinion of the United States Court of Appeals for the Fifth Circuit is reported at 599 F.2d. 685, and is printed in the Appendix at page 139. The Opinion of the United States District Court for the Southern District of Texas, Houston Division, is reported at 191 USPQ 691, and is printed in the Appendix at page 60, and a Supplemental Opinion, unreported, is printed in the Appendix at page 122.

JURISDICTION

The Judgment of the Court of Appeals for the Fifth Circuit was entered on July 30, 1979. The petition for writ of certiorari was filed on October 24, 1979, and was granted on January 7, 1980. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

QUESTION PRESENTED

Does § 271(d) of the Patent Laws permit the owner of a method patent to monopolize and reserve to himself the sale of an unpatented nonstaple product which is used in the practice of the patented method?

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Constitution of the United States, Article I, Section 8, Clause 8:

> The Congress shall have power . . .
>
> To promote the progress of . . . useful arts, by securing for limited times to . . . inventors the exclusive right to their . . . discoveries.

Title 35, United States Code:

> § 101. Inventions patentable
>
> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.
>
> § 112. Specification
>
> * * *
>
> The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

> * * *
>
> § 154. Contents and term of patent
>
> Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, subject to the payment of issue fees as provided for in this title, of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.
>
> § 271. Infringement of patent
>
> (a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.
>
> (b) Whoever actively induces infringement of a patent shall be liable as an infringer.
>
> (c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.
>
> (d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1)

derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

STATEMENT OF THE CASE

This is a suit for patent infringement brought by Respondent Rohm and Haas against Petitioners on June 11, 1974, the Court having jurisdiction under 28 U.S.C. § 1338(a). On Cross-Motions for Summary Judgment (A. 40, 43), based solely on facts admitted or stipulated by the parties (A. 1-39) the District Court granted Petitioners' Motion and dismissed the case (A. 133), holding that Rohm and Haas had misused its patent. The United States Court of Appeals for the Fifth Circuit reversed and remanded for a trial on the merits (A. 183), holding that the activities of Rohm and Haas were permitted by the provisions of 35 U.S.C. § 271(d), and did not amount to patent misuse.

The patent in suit, United States Patent No. 3,816,092 (Exhibits Volume p. 1), which was issued on the day this suit was filed, describes and claims a method of selectively controlling weeds in crops such as rice by applying to the weeds and crops the chemical compound 3,4-dichloropropionanilide (hereinafter "propanil"). Propanil itself is not patented. A patent on propanil, No. 3,382,280, owned by Monsanto Company, was held invalid as a result of litigation between Monsanto and Rohm and Haas, *inter alia* on the ground that propanil was described in or taught by the prior art. ***Monsanto Company*** **v.** ***Rohm and Haas Company,***

312 F.Supp. 778 (E.D. Pa. 1970), *affirmed,* 456 F.2d 592 (3 Cir. 1972), *cert. denied,* 407 U.S. 934 (1972).[1] Monsanto subsequently dedicated the patent to the public.

Rohm and Haas does not itself practice the patented process, but makes propanil and sells it in containers bearing instructions for farmers and others to perform the process. By operation of law, purchasers of propanil thus receive implied licenses to use the patented method. Rohm and Haas has refused to grant any other licenses under its patent, so that the only way it has been possible for users to obtain a license to perform the patented process has been to buy propanil from Rohm and Haas (A. 38). The license is thus tied to the purchase of the unpatented material.

Petitioners have sold propanil for application to rice crops since before Rohm and Haas received its patent (A. 37). When its method patent was issued, Rohm and Haas brought this suit, charging Petitioners with inducing infringement in violation of 35 U.S.C. § 271(b) and with contributory infringement in violation of 35 U.S.C. § 271(c) (A. 3). Petitioners asked Rohm and Haas for royalty-bearing licenses under the patent, but Rohm and Haas refused, stating that licenses would be granted only with purchases of propanil from Rohm and Haas (A. 38). Recognizing this attempt to monopolize propanil as a misuse of the Wilson patent which rendered it unenforceable against both users of the process and suppliers of the chemical, Petitioners have continued to sell propanil in

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[1] Petitioners Dawson Chemical Company and Crystal Chemical Company were also sued by Monsanto for infringement of the propanil patent. The Fifth Circuit Court of Appeals, in *Monsanto Company* v. *Dawson Chemical Company, et al.,* 443 F.2d 1035 (1971), *cert. denied,* 405 U.S. 934 (1972), reversed the District Court's holding of validity of the patent.

containers which bear recommendations and instructions for application to rice crops. For the purpose of this proceeding it is presumed that Petitioners are contributory infringers under Section 271(c).

It is undisputed that if propanil were a staple material, having a substantial non-infringing use, it would be misuse to require patent licensees to purchase the unpatented material from Rohm and Haas. However, Rohm and Haas asserts that it has the right to so condition its licenses because propanil is a nonstaple,[2] so that it is only doing that which is permitted by Section 271(d):

(1) deriving revenue from acts which if performed without its consent would constitute contributory infringement, (i.e., selling propanil),

(2) licensing others (its distributors) to sell propanil, and

(3) enforcing its patent rights against those who sell propanil.

Petitioners point out, however, that Rohm and Haas is not "otherwise entitled to relief," as required by Section 271(d), because, in addition to the three activities authorized by the statute, it is doing something else not authorized: compelling those who wish to practice the patented invention to purchase propanil from Rohm and Haas, thereby tying a license under the patent to the purchase of the unpatented material.

Rohm and Haas contends, and the Court of Appeals agreed, that it was the intent of Congress to allow such a tying arrangement in the case of nonstaple materials, thereby effectively allowing the patent on the process to be used to monopolize the material used in the process.

[2] The term "nonstaple" is a term of art which has been used, and is used herein, to indicate a component as defined in Section 271(c), the unlicensed sale of which would constitute contributory infringement.

SUMMARY OF THE ARGUMENT

Since the first patent law was enacted in 1790, the *exclusionary* right of a patent has extended only to what was invented. In *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.,* 243 U.S. 502, 61 L.Ed. 871, 37 S.Ct. 416 (1917), this Court held that the patent statutes then in effect gave the inventor exclusive rights only with respect to the invention defined in the claims of his patent, because any greater reward would have exceeded the benefit of his invention to the public. This same limitation is incorporated in Sections 101, 112 and 154 of the present patent laws.

The court-made law of contributory infringement was a form of relief which gave patent owners a more convenient means, in some cases, to prevent direct infringement, by bringing suit against those who sold materials and elements intended to be used in an infringement. But this doctrine did not permit a patent owner to use his patent to force customers to buy those unpatented materials and elements from the patent owner, for that was a misuse of the patent. *Mercoid Corp.* v. *Mid-Continent Investment Co.,* 320 U.S. 661, 88 L.Ed. 376, 64 S.Ct. 268 (1944), hereinafter *"Mercoid I,"* and *Mercoid Corp.* v. *Minneapolis-Honeywell Reg. Co.,* 320 U.S. 680, 88 L.Ed. 396, 64 S.Ct. 278 (1944), hereinafter *"Mercoid II."*

Rohm and Haas has a patent on a method in which propanil is used; it does not have a patent on propanil. If propanil is a nonstaple Rohm and Haas can bring an action for contributory infringement against those who sell the chemical for use in an infringement of the patent, unless the patent is being misused. The patent is being misused by conditioning licenses under it on the purchase of propanil from Rohm and Haas.

Sections 271(c) and (d) of the Patent Laws did not extend the patent grant to sanction monopolization of nonstaples. Paragraph (c) merely put the doctrine of contributory infringement into statutory form, and paragraph (d) merely stated that certain activities are not misuse. Tying arrangements are not included among those specified activities.

The Court of Appeals erroneously concluded that the legislative history of the statute, although not "crystal clear," showed an intention of the Congress to so extend the patent grant. This conclusion was based primarily on the "tenor" of explanations and "telling features" and "negative implications" of remarks by one witness before a House Subcommittee, and upon the arguments of opponents. The Court should not have expanded patent rights by overruling Supreme Court decisions when the argument for such expansion was based on mere inference. It should have required a clear and certain signal from Congress. *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 531, 92 S.Ct. 1700, 32 L.Ed.2d 273 (1972).

The only clear signals from Congress were in the House and Senate Committee Reports on the statute, neither of which mentioned any intent to expand patent rights, and both of which stated that the purpose of Section 271 was "clarification and stabilization."

This Court, in the *Aro*[3] cases, relying in part on the legislative history of Section 271, specifically rejected an attempt to expand the scope of a patentee's monopoly rights. It is clear from these cases that the Court would not have sanctioned any scheme for monopolizing an un-

[3] *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (*Aro I*), and *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (*Aro II*).

patented nonstaple. Even the Court below recognized that the various opinions in these cases probably cut against its view.

The misuse being perpetrated by Rohm and Haas is the conditioning of a license under its method patent on the purchase of propanil from Rohm and Haas. If Rohm and Haas would grant royalty-bearing licenses separately from the purchase of propanil, there would be no misuse. Such a requirement is not compulsory licensing. By its present marketing scheme, Rohm and Haas has chosen to grant licenses, but only by use of a tying arrangement.

Tying arrangements have virtually no valid purpose, being inevitably used to secure a monopoly by one who has no legal basis for such a monopoly. Rohm and Haas' tying arrangement cannot be justified on the basis that it created the market for propanil. Except where specifically provided by Congress, the law does not abolish competition in newly created markets; on the contrary, competition is encouraged.

The invalidation and dedication of Monsanto's patent on propanil freed up competition in the sale of propanil. To allow Rohm and Haas to abolish this competition would do away with all the advantages of a competitive market.

The Court should not hesitate to strike down this unwarranted extension of the patent monopoly because of the unsupported allegation of an adverse effect on research and development. It is just as likely that the effect would be beneficial, in that more people would be involved in attempting to out-perform their competitors.

The public interest is at stake here, and that interest is superior to Rohm and Haas'. Reversal of the Court of Appeals' decision will assure the right to compete in the

sale of propanil, while retaining for Rohm and Haas the right to profit from the invention it has patented, if that patent is valid.

ARGUMENT

1. The Patent Monopoly Extends Only to the Invention Defined by the Patent Claims.

The effect of the decision by the Court below is to hold that by the adoption of Sections 271(c) and (d) of the Patent Laws the Congress intended to extend the scope of the patent monopoly to allow monopolization of unpatented[4] nonstaple materials, components and apparatus used in the practice of the patented invention. Such a holding is contrary to the patent law as it has existed in this country since the first statute was enacted in 1790 (1 Statutes at Large, 109). From the beginning, the *exclusionary* right extended only to the *invention* which the inventor made. And since the adoption of the Patent Act of 1836 (5 Statutes at Large, 117) applicants for patents have been required to define their inventions in patent claims. This requirement was inserted in the law "for the purpose of relieving the courts from the duty of ascertaining the exact invention of the patentee by inference and conjecture." *Keystone Bridge Co.* v. *Phoenix Iron Co.*, 5 Otto 274, 24 L.Ed. 344, 346 (1877).

In *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502, 61 L.Ed. 871, 37 S.Ct. 416 (1917), this Court analyzed the patent statutes then in effect and reaffirmed that the *exclusive* rights awarded the patentee are limited to that invention defined by the claims of his patent. 243

[4] The term "unpatented" as used herein means "not covered by the claims of the tying patent." Propanil was once "patented" in a separate patent.

U.S. at 510-514. The Court explained that the reason for this limitation was that the primary purpose of the patent laws was to benefit the public by promoting the progress of science and useful arts, the reward to inventors of exclusive rights being only of secondary importance. 243 U.S. at 510, 511. To have allowed the patentee to monopolize more than he invented would have provided the patentee with a reward greater than the benefit he gave the public.

In finding that the statutes themselves plainly limited the exclusive patent grant to the invention defined by the claims, and did not extend to the materials used in the practice of the invention, the Court noted that the meaning of the words of the statute "would not seem to be doubtful if we can avoid reading into them that which they do not really contain." 234 U.S. at 510.

The present statutes, enacted in 1952, are similarly free from doubt, and of similar effect. Thus, 35 U.S.C. Section 101 provides:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Section 112 requires that the patent include "one or more claims particularly pointing out and distinctly *claiming* the subject matter which the applicant regards as his *invention.*" (emphasis added).

And, Section 154 provides that such patent when obtained, "shall contain . . . a grant to the patentee, his heirs or assigns . . . of the right to exclude others from making, using or selling the *invention*. . . ." (emphasis added).

Thus, the present statutes, like those in effect at the time of the *Motion Picture* case, allow a grant only of "the right to an exclusive use of the new and useful discovery which has been made — this and nothing more." 243 U.S. at 513.

Nor did the enactment of Sections 271(c) and (d) add to this exclusive right. Paragraph (c) only puts the contributory infringement doctrine in statutory form, and paragraph (d) only specifies certain activities as not being misuse. No more than this can be found in the plain words without reading into them something which is not there. To read into Sections 271(c) and (d) that which the Court of Appeals found is to effectively nullify the limitations on the grant spelled out so explicitly in Sections 101, 112 and 154. Congress did not extend the limitations provided by these sections of the statute. They are the same today as they were in 1917, at the time of the *Motion Picture* case.

A patent for an *invention* does not take from the public anything it had before the invention; extending the patent coverage to that which is *not the invention* takes something from the public. The *invention* covered by the claims of the Rohm and Haas patent is a *process,* not a composition of matter. Rohm and Haas invented, and obtained a patent on, the process for selectively inhibiting the growth of certain plants in the manner described in the twelve claims of the patent. Rohm and Haas did not invent propanil, did not claim propanil, and, for the reasons stated in the *Motion Picture* case, still valid today, has no right to monopolize propanil:

> This construction gives to the inventor the exclusive use of just what his inventive genius has discovered. It is all that the statute provides shall be given to him and it is all that he should receive, for it is the fair as well as the statutory measure of his reward for his contribution to the public stock of knowledge.

243 U.S. at 513.

2. Since the 1917 Decision in the Motion Picture Case This Court Has Not Allowed the Use of the Contributory Infringement Doctrine to Effect a Monopoly in Unpatented Materials.

The doctrine of contributory infringement was developed by the courts as a remedy for patentees against those who contributed to or induced direct infringement by selling a part, but not the entirety, of a patented invention, to customers who directly infringed by assembling the patented whole. *See, e.g., Wallace* v. *Holmes,* 29 Fed. Cas. 74, No. 17,100 (CC Conn. 1871); *Schneider* v. *Pountney,* 21 F. 399 (CC N.J. 1884); *Snyder* v. *Bunnell,* 29 F. 47 (S.D. N.Y. 1886); *Thomson-Houston Elec. Co.* v. *Kelsey Electric Ry. Specialty Co.,* 72 F. 1016 (CC Conn. 1896); *Heaton-Peninsular Button-Fastener Co.* v. *Eureka Specialty Co.,* 77 F. 288 (6 Cir. 1896). Thus, the purpose of the doctrine was to aid in preventing direct infringement, not to extend the patent grant to allow monopolization of unpatented materials.

Howeve , in some of these cases, e.g., the *Button-Fastener* case, courts allowed patentees to use various contractual arrangements and restricted licenses to monopolize unpatented components of patented combinations and even unpatented supplies used by patented machines, reasoning that if a patent owner had the right to completely withhold his invention from the public, he could impose any condition he wished upon the use of his invention. This concept reached its zenith in *Henry* v. *A. B. Dick Co.,* 224 U.S. 1, 32 S.Ct. 364, 56 L.Ed. 645 (1912), when the Court enunciated principles which enabled a patentee to tie the right

to use a patented device to the purchase from the patentee of the supplies used by the device.

Five years later, in the *Motion Picture* case, this Court retreated from the position it took in the *Dick* case, and returned to the historical principles of the scope of patent protection, holding that a patentee could not condition the right to use a patented movie machine on the purchase of unpatented film used by the machine because the effect of such conditioning was to create a monopoly in the film. 243 U.S. at 518.

Nevertheless, some patent owners continued to try various other schemes to achieve a monopoly on unpatented materials and elements, and the Court found it necessary to repeatedly strike down such schemes. In *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27, 51 S.Ct. 334, 75 L.Ed. 819 (1931), the Court denied relief to a patent owner whose exclusive licensee sold solid carbon dioxide with an implied license to use the patented invention, but expressly prohibited the use of solid carbon dioxide purchased from others, holding that he "may not exact as the condition of a license that unpatented materials used in connection with the invention shall be purchased only from the licensor." 283 U.S. at 31.

In *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458, 82 L.Ed. 371, 58 S.Ct. 288 (1938), the Court found the *Carbice* doctrine equally applicable to a situation where the only license available under a process patent was an implied license obtained by the purchase of an unpatented staple material from the patent owner, stating that "every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited." 302 U.S. at 463.

By the time *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U.S. 488, 86 L.Ed. 363, 62 S.Ct. 402 (1942) was decided,

the Court had applied the evolving doctrine of the *Motion Picture*, *Carbice* and *Leitch* cases only to bar suits for contributory infringement. In *Morton Salt*, however, the Court applied the doctrine to prohibit recovery against a direct infringer. 314 U.S. at 492-494. On the same day *Morton Salt* was decided, in *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495, 86 L.Ed. 367, 62 S.Ct. 406 (1942), the Court used the word "misuse" for the first time in describing the patent owner's conduct in conditioning licenses under his patent on the purchase from him of unpatented materials. And in *B. B. Chemical* the Court for the first time considered, and rejected without comment, the argument that the misuse doctrine should be applied only in the case of attempts to monopolize *staple* materials.[5] Clearly the Court did not feel disposed, twenty-five years after the *Motion Picture* decision, to abandon the rule so clearly reasoned there that the patent monopoly is limited to the invention covered by the claims.

Nevertheless, the question was raised again, and directly met, two years later in the *Mercoid* cases, *supra*. The patents in the *Mercoid* cases covered heating systems, one element of which, in each patent, was a switch which had no use except in the patented system, and which was itself unpatented. The patent owner, Mid-Continent, granted an exclusive license to Minneapolis-Honeywell to make, use and sell, and to sublicense others to make, use and sell, the system covered by the patent. Minneapolis-Honeywell did not sell the system, but sold only the switches. Licenses to make and use systems covered by the patent were granted only with the switches purchased from Minneapolis-Honeywell. Royalty payments were based upon sales of switches.

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[5] See the synopsis of the respondent's brief at 86 L.Ed. 368, and the opinion of the lower court in *B. B. Chemical Co.* v. *Ellis*, 117 F.2d 829, 834-835 (1 Cir. 1941).

Mercoid was charged with contributory infringement because it manufactured and sold switches specially adapted for use in the patented heating system. Mercoid had been offered, but refused, a license under at least one of the patents. 320 U.S. at 683. The Court denied relief, holding that it was misuse to require those who wished to make the patented system to buy the switches from the patentee's exclusive licensee. The Court noted that the switch was a nonstaple and that, but for the misuse, Mercoid could have been enjoined as a contributory infringer. By tying the license to the unpatented switches, however, the patentee and its exclusive licensee were held to be extending the patent monopoly to that which they had not invented. 320 U.S. at 667.

The *Mercoid* decisions eliminated any doubt that the misuse doctrine applied to attempts to tie patent licenses to the sale of nonstaple elements as well as staple elements. However, the Court also commented that the result of its decision was to limit substantially the doctrine of contributory infringement and to raise the question as to whether any residuum may have been left. 320 U.S. at 669. This comment led many lawyers, and some courts, before 1952, to question whether the law of contributory infringement still existed. *See, Landis Machinery Co.* v. *Chaso Tool Co.,* 141 F.2d 800, 801 (6 Cir. 1944); *Gray Tool Co.* v. *Humble Oil & Refg. Co.,* 186 F.2d 365, 368-369 (5 Cir. 1951). One court even held that the very act of bringing a suit for contributory infringement was a misuse. *Stroco Products, Inc.* v. *Mullenbach,* 67 U.S.P.Q. 168 (S.D. Calif. 1944).

Other courts, however, during this same period, had no difficulty in recognizing the enforceability of patents against contributory infringers when the patents were not used to monopolize unpatented materials or elements, *see, e.g., Florence-Mayo Nuway Co.* v. *Hardy,* 168 F.2d 778, 784-785

(4 Cir. 1948) and *Harris v. National Machine Works, Inc.,* 171 F.2d 85 (10 Cir. 1948), and the applicability of the misuse doctrine when the patent owner was conditioning a license under his patent on the purchase of unpatented elements, *see, e.g. Standard Register Co.* v. *American Sales Book Co.,* 148 F.2d 612 (2 Cir. 1945), and *Lincoln Electric Co.* v. *Linde Air Products Co.,* 171 F.2d 223 (6 Cir. 1948).

Undoubtedly, during the 1944-1952 period there was "considerable doubt and confusion as to the scope of contributory infringement,"[6] but the rule of the *Motion Picture*

[6] Reports of the House and Senate Committees on the Judiciary on Section 271, H.R. Rep. No. 1923, 82d Cong., 2d Sess. 9 (1952), and S. Rep. No. 1979, 82d Cong., 2d Sess. 8 (1952). These reports each state, with respect to Section 271:

> Section 271, paragraph (a) is a declaration of what constitutes infringement. There is no declaration of what constitutes infringement in the present statute. It is not actually necessary because the granting clause creates certain exclusive rights and infringement would be any violation of those rights.
>
> Paragraphs (b), (c) and (d) relate to the subject referred to as contributory infringement. The doctrine of contributory infringement has been part of our law for about 80 years. It has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent. One who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention. It is for this reason that the doctrine of contributory infringement, which prevents appropriating another man's patented invention, has been characterized as "an expression both of law and morals." Considerable doubt and confusion as to the scope of contributory infringement has resulted from a number of decisions of the courts in recent years. The purpose of this section is to codify in statutory form principles of contributory infringement and at the same time eliminate this doubt and confusion. Paragraph (b) recites in broad terms that one who aids and abets an infringement is likewise an infringer. The principle of contributory infringement is set forth in the provisions of the next paragraph which is concerned with the usual situation in which contributory infringement arises. This latter paragraph is much more restrictive than many

case, limiting the scope of the patent monopoly to the invention defined by the claims and forbidding the conditioning of the right to use the invention on the purchase of unpatented materials, was consistently recognized and followed, whether the materials were staples or nonstaples.

3. Congress Did Not Intend Section 271(d) to Legitimize Tying Arrangements.

Finding each of the parties' conflicting readings of the statute to be plausible (A. 144) the Court below turned to the legislative history. The Court found this history "not crystal clear" (A. 174). Nevertheless, relying in large part on the "tenor" of one witness' explanations (A. 167), and on the "telling features" (A. 168) and "negative implications" (A. 170) of his remarks, as well as the testimony of opponents of the legislation (A. 170), it held that the weight of it favored Rohm and Haas' position that it was acting within its rights under the statute in using its patent to effect a monopoly in propanil.

In so concluding, the Court of Appeals failed to heed this Court's warning in *Deepsouth, supra,* in which the intent of Congress in enacting Section 271 was under consideration. This Court made it clear that, in view of "this Nation's historical antipathy to monopoly and of repeated congressional efforts to preserve and foster competition," it

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proponents of contributory infringement believe should be the case. The sale of a component of a patented machine, etc., must constitute a material part of the invention and must be known to be especially made or especially adapted for use in the infringement before there can be contributory infringement, and likewise the sale of staple articles of commerce suitable for non-infringing use does not constitute contributory infringement. The last paragraph of this section provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent. These paragraphs have as their main purpose clarification and stabilization.

"should not expand patent rights by overruling or modifying our prior cases construing the patent statutes, unless the argument for expansion of privilege is based on more than mere inference from ambiguous statutory language." 406 U.S. at 530, 531. The Court stated that it "would require a clear and certain signal from Congress" before it would approve any broadening of the patent privilege. *Id.* In so stating, the Court was not enunciating a new doctrine or one limited to the patent laws, but was following the long established rule that "It will not be inferred that the legislature, in revising and consolidating the laws, intended to change their policy, unless such an intention be clearly expressed." *United States* v. *Ryder,* 110 U.S. 729, 740, 28 L.Ed. 308, 312, (1884), cited and followed in *Muniz* v. *Hoffman,* 422 U.S. 454, 470, 45 L.Ed. 2d 319, 331, 95 S.Ct. 2178 (1975). Furthermore, the testimony of opponents to legislation is not to be relied upon in ascertaining the intention of Congress. *See NLRB* v. *Fruit & Vegetable Packers,* 377 U.S. 58, 66, 12 L.Ed. 2d 129, 84 S.Ct. 1063 (1964).

The only clear expression of congressional intent that can be gleaned from the legislative history of Sections 271(c) and (d) is that of clarifying the law of contributory infringement. *See, e.g.,* the House and Senate Committee Reports, *supra* note 6. There certainly is no clear expression of an intent to expand the patent monopoly to cover unpatented materials, or to allow any kind of tying arrangement, or to diminish the scope of the antitrust laws. Yet these are the effects of the rule adopted by the Court of Appeals.

The legislative history of the statutes includes little that is pertinent in the way of floor discussion. Such as there is supports Petitioners' position that the statutes were not intended to make any changes in the law. During

the Senate debate Senator McCarran, Chairman of the Judiciary Committee, when asked if the Patent Act changed the law or merely codified it, replied, "It codifies the present patent laws." 98 Cong. Rec. 9323, 82nd Cong., 2d Sess., July 4, 1952. This statement was relied upon by this Court in *Deepsouth,* 406 U.S. 530, note 10, and in *Aro II,* 377 U.S. 485, note 6, to support its conclusion that Section 271 was not intended to change the law.

The Court of Appeals, however, found Senator McCarran's statement to be less than compelling (A. 164-165), and turned its attention instead to the transcripts of Hearings before three House subcommittees in 1948, 1949 and 1951.[7] It is noteworthy that these are three *different* subcommittees; only four members of the 1951 subcommittee were on the 1949 subcommittee, and only one of the members of the 1949 and 1951 subcommittees was on the 1948 subcommittee.

The Court of Appeals' conclusion was based primarily on implications it perceived from Mr. Giles S. Rich's testimony as explaining the purpose of Sections 271(c) and (d). However, the only actual statement Mr. Rich made about the purpose of the statute to the 1951 subcommittee, whose report resulted in the statute, is found at pp. 161-162 of the 1951 Hearings. Here he made reference to the holding of this Court in the *Mercoid* cases that where there is a conflict between the contributory in-

[7] Hearings before Subcomm.. on Patents, Trademarks and Copyrights of the Comm. on the Judiciary, House of Representatives, 80th Cong., 2nd Sess. on H.R. 5988 (hereinafter 1948 Hearings); Hearings before Subcomm. No. 4 of the Comm. on the Judiciary, House of Representatives, 81st Cong., 1st Sess. on H.R. 3866 (hereinafter 1949 Hearings); and Hearings on H.R. 3760 before Subcomm. No. 3 of the House Comm. on the Judiciary, 82nd Cong., 1st Sess. 1951 (hereinafter 1951 Hearings). Pertinent portions of the 1951 Hearings have been reproduced in the Appendix to the Petition for Writ of Certiorari.

fringement doctrine and the misuse doctrine the misuse doctrine must prevail, and to the fact that some courts say that "any effort whatsoever to enforce a patent against a contributory infringer is in itself misuse." Then he said "that to put any measure of contributory infringement into the law you must, to that extent and to that extent only, specifically make exceptions to the misuse doctrine, and that is the purpose of paragraph (d)."

The only possible meaning that can be derived from this is that the purpose of the statute was to reverse the holdings that "any effort whatever to enforce a patent against a contributory infringer is in itself misuse." Certainly he did not express a purpose to expand the patent monopoly to include nonstaple elements.

The only testimony in the 1951 Hearings which specifically discusses the effect of the statute on conduct such as that at issue here is that initiated by the contention of the Department of Justice that the statute would immunize such conduct. The Court of Appeals erroneously concluded from the discussion which this contention engendered that Mr. Rich and the subcommittee, and therefore Congress, intended the statute to have that effect.[8] (A. 170-174).

However, Congressman Crumpacker insisted that the Department representative, Mr. Fugate, was reading the language backwards. 1951 Hearings at 167. The ensuing colloquy also brought in Mr. Rich to explain his position. The result of this is Mr. Rich's agreeing with Mr. Crumpacker that paragraph (d) would not prevent a holding of misuse where a patentee was "trying to gain a limited monopoly of unpatented articles." 1951 Hearings at 173-174.

[8] This discussion is analyzed in detail at pp. 4-6 of Reply Brief for Petitioners, filed in support of the Petition for Writ of Certiorari, and for the sake of brevity will not be repeated here.

Thus, even though the Department of Justice originally contended that Section 271(d) would allow tying arrangements and that Mr. Rich so construed it, the ultimate result was that Mr. Crumpacker rejected this construction, Mr. Rich disavowed it, and the Department of Justice dropped its contention.[9]

Any doubt that might remain as to whether the Subcommittee members intended to effect such a substantial change is dispelled by the Committee Reports, *supra,* note 6, which unequivocally state that the main purpose of the statutes is clarification and stabilization, with no mention of expansion of the patent grant.

The Court of Appeals' conclusion as to the intent of Congress was based on such things as the "tenor" of Mr. Rich's explanations, and "telling features" and "negative implications" of his remarks, and arguments of opponents of the act, from a legislative history which it admitted was "not crystal clear," disregarding the Committee Reports and rejecting Senate floor comment which this Court had relied upon in construing the same statute, in the face of two diametrically opposed "plausible" readings of the statute. The Court of Appeals even recognized that various commentators had expressed a contrary view (A. 144, 145, note 4).

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[9] It does not appear from the transcript that anyone brought to the Subcommittee's attention the statement made by Mr. Rich in the 1949 Hearings (p. 68) which seemed to indicate that it was his intention to do away with the misuse doctrine insofar as it applied to nonstaples. Nor is there any indication that the Subcommittee members, or any other member of Congress, was made aware of Mr. Rich's view, expressed in an article published two years later, that Section 271 changed the test for what is unpatented, nor of his suggestion that nonstaples are now within the scope of the patent. See Rich, *Infringement Under Section 271 of the Patent Act of 1952,* 35 J. Pat. Off. Soc. 476, 499-500 (1953).

Despite this quite obvious lack of a "clear and certain signal," the Court insisted upon finding that Congress had partially overturned a doctrine which had been in effect since the *Motion Picture* case, 63 years ago. More than this is required to find that Congress intended to effect such a change. *Deepsouth, supra,* 406 U.S. 531.

4. The Court of Appeals' Expansion of the Scope of the Patent Privilege is Contrary to This Court's Rulings Since 1952.

After reviewing the statute's legislative history, the Court of Appeals went on to review this Court's decisions since the enactment of Section 271 which bear on the issues. It concluded that the *Aro* cases "probably cut against" its view, but distinguished the present case on its facts, and declined to rely on "general statements" in other cases[10] "containing ringing endorsements of patent misuse theory concerning the proper scope of a patent." (A. 180-181).

However, these decisions of this Court in fact support Petitioners' position on the issue in this case, and are in complete harmony with the *Motion Picture* rule against enlarging the patent monopoly without express approval by Congress.

This Court, in the *Aro* cases, made it very clear that it still considers that the use of a patent to monopolize unpatented nonstaple components is illegal. In *Aro I,* on the authority of *Mercoid,* the Court rejected the argument that patent

[10] *Deepsouth Packing Co.* v. *Laitram Corp.,* 406 U.S. 518, 92 S.Ct. 1700, 32 L.Ed.2d 273 (1972), *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation,* 402 U.S. 313, 91 S.Ct. 1434, 28 L.Ed.2d 788 (1971), and *Zenith Radio Corp.* v. *Hazeltine Research, Inc.,* 395 U.S. 100, 89 S.Ct. 1562, 23 L.Ed.2d 129 (1969).

protection should be extended to the "essential" or "distinguishing" part of the patented combination, stating:

> We cannot agree. For if anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant. See the *Mercoid* cases *supra* (320 U.S. at 667, 320 U.S. at 684). The basic fallacy in respondent's position is that it requires the ascribing to one element of the patented combination the status of patented invention in itself. Yet this Court has made it clear in the two *Mercoid* cases that there is no legally recognizable or protected "essential" element, "gist" or "heart" of the invention in a combination patent.

365 U.S. at 344-345.

In his concurring opinion in *Aro I,* Justice Black, in reference to Section 271, stated:

> The language and history of that Act show plainly: (1) that Congress wanted to continue in force, *but not expand, the judge-made doctrine of contributory infringement* under which a person who knowingly aids, encourages or abets the direct infringement of a patent is to be held liable as a contributory infringer; (2) that Congress did not want patentees to be barred from prosecuting their claims for direct infringement merely because they exercised their right to assert a claim in or out of court for contributory infringement; (3) *that the long-existing scope of a patentee's monopoly rights was not to be expanded beyond what it had always been, that is, the exclusive right to make, use or sell a patented invention during the life of the patent* (emphasis added).

365 U.S. at 347-350.

In referring specifically to Section 271(d), Justice Black stated:

> This provision was designed specifically to prevent the *Mercoid* case from being interpreted to mean that any effort to enforce a patent against a contributory infringer in itself constitutes a forfeiture of patent rights.

Id. at 349, note 4.

In *Aro II* the Court found Aro guilty of contributory infringement, but applied the doctrine of patent misuse to deny relief to the patentee. The patentee had agreed to license Ford and its customers to make, use and sell the patented combination, but "excepting replacements" unless these were provided by Ford. 377 U.S. at 494. With respect to this agreement the Court stated:

> We think the agreement's attempt to reserve rights in connection with future sales of replacement fabrics was invalid . . . . The . . . provisions in the agreement, purporting to restrict the right of use and repair by prohibiting fabric replacement unless done with fabrics purchased from Ford or some other licensee, stand condemned by a long line of this Court's decisions delimiting the scope of the patent grant . . . . In particular, [the patentee] cannot impose conditions concerning the unpatented supplies, ancillary materials, or components with which the use is to be effected.

377 U.S. at 496, 497, citing *Carbice* and *Mercoid II.*

The agreement condemned was a tying arrangement; the license to make, sell and use the patented combination was conditioned on the purchase of nonstaple replacement fabrics from Ford. Although not calling this agreement "misuse," the Court refused to enforce the restriction.

The Court of Appeals considered the *Aro* opinions as not controlling the result in this case because of what it perceived as differing policies involved in protecting com-

petition in a market for replacement parts as opposed to a "primary use" market like that for propanil. However, there is nothing in the statute, nor in its legislative history, nor in any of the *Aro* opinions, nor in any other case, to support such a distinction or to provide a basis for such a limitation of the doctrine of patent misuse.

Although the specific question, of whether Section 271(d) overruled the *Mercoid* decisions forbidding use of a patent to tie unpatented nonstaples, was not presented to the Court in the *Aro* cases,[11] it is plain that the Court would have struck down any scheme by the patentee for monopolizing unpatented nonstaples used with a patented machine or method by conditioning licenses under the patent on the purchase of the nonstaple from him or his licensee. To have sanctioned the exercise of such exclusive rights in an unpatented product would have been to expand the long-existing scope of the exclusive rights conferred by the patent, but that, as stated by Justice Black in *Aro I*, was precisely what had not been provided for by Section 271. Although Justice Whittaker's opinion for the Court in *Aro I* contains no reference to Section 271(d), it was in full accord that a patent does not grant exclusive rights in a nonstaple, however essential it may be to the patented combination, and however difficult it may be for a patentee to profit from his invention.

This doctrine is also made clear in the other cases decided by this Court since the enactment of Section 271, which the Court of Appeals declined to follow. In *United States* v. *Loew's Inc.*, 371 U.S. 38, 9 L.Ed.2d 11, 83 S.Ct. 97 (1962), this Court cited *Mercoid* and like cases in support of its reiteration of the misuse doctrine:

> These cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles.

371 U.S. at 46.

In *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 23 L.Ed.2d 129, 89 S.Ct. 1562 (1969), the Court stated:

> Among other restrictions on him [the patentee] may not condition the right to use his patent on the licensee's agreement to purchase, use, or sell, or not to purchase, use, or sell, another article of commerce not within the scope of his patent monopoly.

395 U.S. at 136.

In *Deepsouth, supra,* the Court held that a defendant who exported unpatented parts of a patented combination was not guilty of infringement. Citing *Mercoid,* the Court premised its decision on the "unassailable" rule that "a patent on a combination is a patent on the assembled or functioning whole, not on the separate parts." 406 U.S. at 528. The separate parts here were clearly "nonstaple," being specially designed to construct the patented equipment.

In *Blonder-Tongue Labs, Inc.* v. *University of Ill. Foundation,* 402 U.S. 313, 28 L.Ed. 2d 788, 91 S.Ct. 1434 (1971), the Court, while "recognizing the patent system's desirable stimulus to invention," cited *Mercoid* as one of a "series of decisions in which the Court has condemned attempts to broaden the physical or temporal scope of the patent monopoly." 402 U.S. at 343.

In each of these cases the Court, in the most unequivocal terms, reiterated the long-standing prohibition against expanding the patent grant to allow monopolizing anything other than the invention covered by the patent claims.

[11] The misuse defense had been abandoned. 377 U.S. at 491, note 9.

The Court of Appeals' decision, leading to a contrary result, cannot be justified on any rational basis.

5. The Court of Appeals' Interpretation is Not Necessary to Give Meaning to Section 271(d).

The Court of Appeals also reasoned (A. 174-176) that the combined effect of (1), (2) and (3) of Section 271(d) necessarily gives the patentee the right to reserve to itself the sale of nonstaples used substantially only in the patented invention, because otherwise the right to grant licenses under (2) would be rendered worthless. The argument is that no one would pay a royalty for a license if the patent owner could not stop others from selling the nonstaple.

This argument overlooks the varied ways in which licensing rights can be used, and misconstrues the issue here. The licensing right is made fully effective if the patentee grants non-discriminatory licenses separate from the sale of the unpatented material. In the present case, if Rohm and Haas offered such licenses to users, or applicators, or competitors who sell propanil, separate from the purchase of propanil, Rohm and Haas would be able to (1) sell propanil, (2) license others to sell propanil and (3) sue contributory infringers. Petitioners and others would be willing to pay a royalty for such a license. The contributory infringers would be those who insisted on selling propanil to unlicensed users without being licensed themselves. Paragraph (d), in such a situation, is fully effective to protect the patent owner from a misuse defense.

The Court of Appeals recognized this as "an attractive possibility" because "It allows a patentee economically to market his invention, yet preserves competition in propanil, which is, after all, not patented." (A.177, note 27).

However, the Court rejected this reasoning as not discernable from the statute, and because it believed that "[a] general licensing obligation is foreign to a statutory scheme in which patentees are free to suppress entirely or reserve for themselves their inventions."

There are several answers to this. First, Petitioners do not contend that there is a "general licensing obligation." Rohm and Haas itself has chosen to license its invention when it sells the unpatented material with an implied patent license. If it did not *already* grant licenses there would be no misuse issue. Having freely determined that it will grant licenses, it must do so in a legal manner.

Secondly, the fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use. *United States* v. *Masonite Corp.,* 316 U.S. 265, 277, 86 L.Ed. 1461, 1475 (1942).

Nor is compulsory licensing against public policy, as intimated by the Court of Appeals; both Congress and the courts have approved compulsory licensing as a means of achieving desirable public policy goals. Compulsory licensing is a feature of the Copyright Law of the United States, 17 U.S.C. § 101 et seq. [see § 115]; the Air Pollution Prevention and Control Act (1970, as amended 1974), 42 U.S.C., § 1857 et seq. [see § 1857h-6. "Mandatory licensing"]; and the Plant Variety Protection Act (1970), 7 U.S.C. § 2321 et seq. [see § 2404, "Public interest in wide usage"], for example. Furthermore, this Court has held compulsory licenses to be a proper remedy where patent abuses have been proven. *Besser Mfg. Co.* v. *United States,* 343 U.S. 444, 96 L.Ed. 1063, 72 S.Ct. 838 (1952); *United States* v. *Glaxo Group Ltd.,* 410 U.S. 52, 35 L.Ed.2d 104, 93 S.Ct. 861 (1973).

Finally, it is to be observed that if application of the doctrine of misuse can be said to create a form of compulsory licensing, then compulsory licensing has existed ever since the *Motion Picture* case.

The Court of Appeals also overlooked the fact that there are many ways other than that chosen by Rohm and Haas to exploit a method patent. Thus:

1. Rohm and Haas could grant to other propanil producers the right to grant licenses to purchasers of propanil, with a royalty to be paid to Rohm and Haas by the other propanil producers.

2. Rohm & Haas could license rice farmers directly to practice the patented method, charging a royalty based on acreage or volume of propanil used. This could be easily effected by the commonly used "label license," which states that a part of the purchase price is patent royalty, and that licenses to use propanil purchased from others are available for the same royalty.[12]

3. Rohm and Haas could license persons who are sprayers or applicators to practice the method, charging a royalty based on the volume of propanil used or acreage of crops sprayed.

4. Rohm and Haas could operate rice farms, contract the spraying and not license anyone other than the spraying contractor.

5. Rohm and Haas could practice the method itself, by spraying the rice fields, and not license anyone.

[12] An unequal or discriminatory royalty would also run afoul of the misuse doctrine. See *Ansul Co.* v. *Uniroyal, Inc.*, 448 F.2d 872, 882 note 4 (2 Cir. 1971); *Rex Chainbelt, Inc.* v. *Harco Products, Inc.*, 512 F.2d 993, 1002 note 3a (9 Cir. 1975).

Each of these ways would be a legitimate exploitation by Rohm and Haas of its method patent. If Rohm and Haas were to use its patent in any of these legitimate ways it could sell propanil, license others to sell it and sue contributory infringers — all the things allowed by Section 271(d) — and it would not be guilty of misuse.

6. Tying Arrangements are No Less Pernicious Since 1952 Than Before.

Tying arrangements have been against public policy at least since the adoption of Section 3 of the Clayton Act, 15 U.S.C. § 14, in 1914 and, as we have shown, this Court has from an early date condemned tying arrangements like that presently before the Court. As stated in *United States* v. *Loew's, Inc.*, 371 U.S. 38, 44, 9 L.Ed.2d 11, 17-18, 83 S.Ct. 97 (1962), "This Court has recognized that '[t]ying agreements serve hardly any purpose beyond the suppression of competition,'" citing *Standard Oil Co.* v. *United States*, 337 U.S. 293, 305, 306, 93 L.Ed. 1371, 1382, 69 S.Ct. 1051 (1949). Tying arrangements are inevitably used to secure a limited monopoly at the behest of one who has no legal basis for such a monopoly. Indeed, tying arrangements

> deny competitors free access to the market for the tied product, not because the party imposing the tying requirements has a better product or a lower price but because of his power or leverage in another market. At the same time buyers are forced to forego their free choice between competing products. For these reasons "tying agreements fare harshly under the laws forbidding restraints of trade." *Times-Picayune Publishing Co.* v. *United States*, 345 U.S. 594, 606, 97 L.Ed. 1277, 1288, 73 S.Ct. 872.

Northern Pacific Rwy. Co. v. *United States*, 356 U.S. 1, 6, 2 L.Ed.2d 545, 550, 78 S.Ct. 514 (1958). They are equally

reprehensible whether the tied or the tying commodity is patented or unpatented, whether dealing in staples or non-staples. *See United States* v. *Loew's, Inc.,* 371 U.S. at 44-46; *International Salt Co.* v. *United States,* 332 U.S. 392, 395-396, 92 L.Ed. 20, 25-26, 68 S.Ct. 12 (1947).

In *Mercoid II* it was held that "the effort here made to control competition in this unpatented device plainly violates the antitrust laws." 320 U.S. at 684. Section 271(d) of the Patent Laws provides that patent owners shall not be deemed guilty of "illegal extension of the patent right" by reason of having done one or more of the enumerated things. By construing this statute to allow the patent owner to monopolize the unpatented material the Court of Appeals has in effect said that Congress intended to reverse the *Mercoid II* holding, thereby diminishing the scope of the antitrust laws.

In doing so, however, the Court failed to deal with the objectives of either the patent or the antitrust laws. The Court made no effort to determine whether its decision would foster invention and innovation or have a beneficial or adverse effect on competition. The closest the Court came to such consideration was its recognition that requiring Rohm and Haas to grant alternative licenses is "an attractive possibility" because it allows the patentee to market his invention, yet preserves competition in the unpatented material (A. 177, note 27).

The Rohm and Haas patent claims define an invention which uses propanil. Under the patent laws Rohm and Haas is entitled to a seventeen year monopoly on that invention, if the patent is valid. The monopoly which is thus conferred is the reward which Rohm and Haas received for its research and development, its efforts at invention and innovation. The purposes of the patent statute are fulfilled by this reward.

As this Court did in *Deepsouth,* the Court of Appeals should have considered Rohm and Haas' claim "in light of this Nation's historical antipathy to monopoly and of repeated congressional efforts to preserve and foster competition." 406 U.S. at 530. The Court's quotation there is equally applicable here:

> [I]n rewarding useful invention, the "rights and welfare of the community must be fairly dealt with and effectually guarded." *Kendall* v. *Winsor,* 21 How. 322, 329, 16 L.Ed. 165, 168 (1859).

406 U.S. at 530, 531.

Prior to the issue of the Rohm and Haas patent anyone was free to sell propanil, this freedom having resulted from the invalidation, and subsequent dedication to the public, of Monsanto's patent on propanil. Rohm and Haas now seeks to take this right from the public by means of a tying arrangement. To allow this would not be dealing fairly with the right of the community to freely engage in competition in the marketing of unpatented materials.

7. The Public Interest is Best Served by Limiting the Patent Monopoly to the Invention Covered by the Patent Claims.

The decision below, if sustained, will have an adverse effect not only upon Petitioners herein, but also upon the purchasers and users of propanil, such as the rice-producing farmers and the consuming public. The Fifth Circuit's decision permits Rohm and Haas to monopolize sales of propanil, an unpatented and unpatentable commodity, for so long as it chooses during the life of its method patent. At present, Rohm and Haas refuses to license anyone else to make and sell propanil, and there is no reason to believe its policy will change in the future. As a result, the market for propanil is removed from competition from producers of propanil such as Petitioners.

All the benefits that flow from the unrestrained interaction of competitive forces, such as attainment of the lowest price and the highest quality and the overall optimum allocation of economic resources, are thereby swept from the propanil market. Purchasers and users of propanil will be unable to select, from among several alternative sources of supply, that source which offers them the best product at the lowest price, on terms and conditions best suited to their businesses. Rohm and Haas will thus be able to set for propanil a price higher than any it or any licensed competitor could expect to establish in a competitive market, a price totally unrelated to any royalty it could expect to receive from licensed users or suppliers under legitimate licensing arrangements under its method patent. For the rice-producing farmer, for example, this will result in increased costs and decreased profitability of producing rice, which will eventually be reflected in increased costs to the consuming public. From the rice farmer's standpoint, the Fifth Circuit's decision also poses the threat that his supply of much-needed propanil could be interrupted should Rohm and Haas, as the sole supplier, for some reason become unable to meet the demand for propanil. Such an interruption could take its toll in the form of ruined or diminished rice crops.

Rohm and Haas has argued that it is important for the owner of a process patent to be able to monopolize nonstaples in order to provide an economic incentive to develop new uses for chemicals. It seems self-evident that chemical manufacturing companies such as Rohm and Haas have an economic incentive in developing new uses for chemicals that they manufacture, whether the chemicals are staples or nonstaples. A source relied upon by amicus supporting

Rohm and Haas[13] has reported that a company must screen 7,000 compounds to find one commercially successful agricultural herbicide. There necessarily had to be many, many staple chemicals among this group of 7,000 compounds. Certainly, there is no basis for stating that just nonstaple chemicals will be screened in an attempt to find commercially successful agricultural herbicides. Indeed, it seems no more likely that one would experiment with old, useless chemicals than with old chemicals having other uses or with entirely new chemicals, in order to discover a desired chemical property.

There is no reasonable basis for assuming that forbidding monopolization of unpatented chemicals will have an adverse effect upon research and development. On the contrary,

> [T]here is a consensus among those who have considered the question that, in view of the substantial uncertainties inherent in the process of developing and patenting a new invention, any incremental increase in patentee income that might result from permitting licensing schemes that would otherwise violate the antitrust laws would be unlikely to affect a patentee's initial decision to invest in innovative activity. P. Areeda, [Antitrust Analysis], Par. 404(f) at 429 [2d ed. 1974]; Turner, [The Patent System and Competitive Policy], 44 N.Y.U.L. Rev. at 458-460, 463 (1969); Gibbons, Price Fixing in Patent Licenses and the Antitrust Laws, 51 U. Va. L. Rev. 273, 276-77 (1965); Furth, Price-Restrictive Patent Licenses Under the Sherman Act, 71 Harv. L. Rev. 815, 829 & n. 35 (1958).

Mannington Mills, Inc. v. *Congoleum Industries, Inc.*, 203 U.S.P.Q. 81, 91, ... F.2d ..... (3 Cir. 1979). Without

[13] A. Wechsler et al, *Evaluation of the Possible Impact of Pesticide Legislation on Research and Development Activities of Pesticide Manufacturers* (1975) (Environmental Protection Agency publication EPA-540/9 — 75-018).

such monopolization, the law still offers the owner of a method patent the exclusive right to use the method, or alternatively an opportunity to grant licenses on a reasonable non-discriminatory basis to others and thus reap its reward properly.

Actually, it is more reasonable to assume that forbidding such monopolization may foster research and development. Those who wish to compete in the marketing of the unpatented material will be encouraged to develop more economical processes for making the material, or more desirable formulations of the material. This could result in lower cost to users and better performance from the patented process.

The public interest is at stake here. Rohm and Haas seeks to take something of value from the public, namely competition in the sale of an unpatented chemical and all of the advantages to the public flowing from such competition. This does not mean that the method patent is rendered worthless, but to the contrary, Rohm and Haas can sell propanil, it can collect reasonable non-discriminatory royalties from the manufacturers of the chemical or the users of the method, and it can also bring suits to stop contributory infringers who have refused to take a reasonable non-discriminatory license under the patent. Alternatively, it can use one of the other ways described, *supra,* Section 5, to exploit its method patent. Thus, Rohm and Haas may have its "reward" based upon its method patent, but it cannot have an additional reward of a monopoly in an unpatented chemical.

The Court's decision in this case will have an enormous effect upon competition in the United States. Probably most patents cover combinations or processes which utilize non-staple elements, sub-combinations or materials which form a material part of the invention and have no substantial

use outside the invention. In many cases the patent owner finds it more convenient or profitable to market less than the whole of the invention. If the Court of Appeals' decision is affirmed, the monopoly afforded these patent owners by their patents will have been extended to include these unpatented elements, subcombinations and materials.

8. Conclusion

For the reasons stated herein, in the Petition, and in the Amicus briefs filed in support of the Petition, the decision of the Court of Appeals should be reversed.

Respectfully submitted,

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